

**ELEVENTH AND FORTY-SECOND  
JUDICIAL DISTRICTS  
INDIGENT DEFENDER FUND  
Sabine and DeSoto Parish, Louisiana**

**FINANCIAL REPORT  
JUNE 30, 2012**

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Financial Report  
June 30, 2012

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Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Financial Report  
June 30, 2012

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# **ELEVENTH AND FORTY-SECOND JUDICIAL DISTRICTS INDIGENT DEFENDER FUND**

**P. O. Box 1004  
Mansfield, LA 71052-1204**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of the Eleventh and Forty-second Judicial Districts Indigent Defender Fund's (Indigent Defender Fund) annual financial report presents our discussion and analysis of the Indigent Defender Fund's financial performance during the year ending June 30, 2012. We encourage readers to consider the information presented here in conjunction with the Indigent Defender Fund's basic financial statements and supplementary information in assessing the efficiency and effectiveness of our stewardship of public resources.

### **FINANCIAL HIGHLIGHTS**

As noted in the previous year's Management and Discussion, pursuant to Act No. 416 of the 2007 Regular Session of the Louisiana Legislature, the former 11th Judicial District, which was comprised of Sabine and DeSoto Parishes, was split along parish boundaries as of January 1, 2009. Sabine Parish became the "new" 11th Judicial District; and DeSoto Parish became the newly created 42nd Judicial District. One chief defender operates the two districts under a cooperative endeavor agreement as a single entity.

The Eleventh and Forty-second Judicial Districts Indigent Defender Fund experienced a decrease in its net assets of \$1,337 (0.44%) during the year ended June 30, 2012. At June 30, 2012, the assets of the Fund exceeded its liabilities by \$305,596.

The Fund's total general and program revenues were \$827,620 during the year ended June 30, 2012, compared to \$854,486 during the year ended June 30, 2011.

The Fund's governmental fund reports total ending fund balance this year of \$302,356. This compares to the prior year ending fund balance of \$301,238, showing an increase of \$1,118 for the current year.

### **OVERVIEW OF FINANCIAL STATEMENTS**

This Management Discussion and Analysis document introduces the basic financial statements which include 1) governmental fund financial statements, 2) government-wide financial statements and 3) notes to the financial statements. The two types of financial statements present the Fund's financial position and results of operations from differing perspectives. A reconciliation is provided to facilitate the comparison between the governmental fund statements and the government-wide statements. The components of the financial statements are described below:

## Fund Financial Statements

Fund financial statements provide detailed information regarding the Indigent Defender Fund's most significant activities and are not intended to provide information for the Indigent Defender Fund as a whole. Funds are accounting devices that are used to account for specific sources of revenues. All of the Indigent Defender Fund's funds are limited to its *general fund*, which is classified as a Governmental Fund. The *general fund* uses a modified accrual basis of accounting that focus on near-term inflows, outflows, and balances of spendable resources. Assets reported by the *general fund* are limited to amounts that are available for current needs. In addition, liabilities are limited to amounts that are expected to be paid from currently available assets. Unassigned fund balance may serve as a useful measure of a government's net resources at the end of the fiscal year.

## Government-Wide Financial Statements

The *government-wide financial statements* report information about the Indigent Defender Fund as a whole using accounting methods similar to those used by private-sector companies. These report all revenues and expenses regardless of when cash is received or paid. The *statement of net assets* presents information of all the Indigent Defender Fund's assets and liabilities, with the difference between the two reported as net assets. Overtime, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Indigent Defender Fund is improving or deteriorating. The *statement of activities* presents information showing how the net assets changed during the most recent period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows.

## Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## Other Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The Indigent Defender Fund adopts an annual budget for the general fund. A budgetary comparison statement is provided to demonstrate budgetary compliance.

## Other Supplementary Information

A statement of activities by district is included for additional analysis purposes only and is not required for fair presentation in accordance with generally accepted accounting principles.

# FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

A summary of the Statement of Net Assets is below:

	<u>2012</u>	<u>2011</u>
ASSETS:		
Cash	\$242,785	\$295,548
Accounts Receivable	122,781	63,106
Capital Assets, Net of Depreciation	<u>3,240</u>	<u>5,695</u>
Total Assets	<u>\$368,806</u>	<u>\$364,349</u>
LIABILITIES:		
Accounts Payable	\$ <u>63,210</u>	\$ <u>57,416</u>
Total Liabilities	<u>\$ 63,210</u>	<u>\$ 57,416</u>
NET ASSETS:		
Unrestricted	\$302,356	\$301,238
Invested in Capital Assets, Net of Related Debt	<u>3,240</u>	<u>5,695</u>
Total Net Assets	<u>\$305,596</u>	<u>\$306,933</u>

Net assets may serve over time as a useful indicator of the Eleventh and Forty-second Judicial Districts Indigent Defender Fund's financial position. The Indigent Defender Fund's total net assets changed from a year ago, decreasing from \$306,933 to \$305,596. The largest portion of the Indigent Defender Fund's net assets, \$302,356 (99%) as of June 30, 2012, is unrestricted and may be used to meet the ongoing obligations to the citizens of DeSoto and Sabine Parishes.

The Indigent Defender Fund continues to maintain a high level of liquidity with \$242,785 (80%) of the Indigent Defender Fund's unrestricted net assets invested in demand deposits and certificates of deposit with various financial institutions as of June 30, 2012. Accounts receivable increased 94.56% from \$63,106 to \$122,781 and accounts payable also increased 10.09% from \$57,416 to \$63,210. At June 30, 2012, \$3,240 (1%) of the Indigent Defender Fund's net assets reflects capital assets with a historical cost of \$23,761 and accumulated depreciation of \$20,521.

An analysis of the government-wide Statement of Activities is presented as follows:

	<u>2012</u>	<u>2011</u>
REVENUES:		
Judiciary Program Revenue-		
Charges for Services	\$566,452	\$537,546
Operating Grants and Contributions	259,409	315,300
General Revenue-		
Interest Revenue	<u>1,759</u>	<u>1,640</u>
Total Revenues	<u>\$827,620</u>	<u>\$854,486</u>
Program Expenses-		
Judiciary	<u>\$828,957</u>	<u>\$787,088</u>
Increase (Decrease) in Net Assets	\$ (1,337)	\$ 67,398
Net Assets Beginning	<u>306,933</u>	<u>239,535</u>
Net Assets Ending	<u>\$305,596</u>	<u>\$306,933</u>

As the accompanying presentation demonstrates, the Indigent Defender Fund has decreased its reserves by \$1,337 at June 30, 2012. Approximately 68.44% (\$566,452) of the Fund's total revenues were derived through charges for services (court, bond and other related fees) compared to 62.91% (\$537,546) for the year ended June 30, 2011.

The Indigent Defender Fund received \$259,409 (31.34%) and \$315,300 (36.90%) of its total revenues from Louisiana state appropriations during the years ended June 30, 2012 and June 30, 2011, respectively.

#### FINANCIAL ANALYSIS OF THE FUND'S FUND

For the year ended June 30, 2012, differences between the government-wide presentation and the fund financial statements were due to depreciation changes associated with capital assets.

#### BUDGETARY HIGHLIGHTS

Formal budgetary integration is employed as a management control device during the fiscal year. The budget policy of the Indigent Defender Fund complies with state law, as amended, and as set forth in Louisiana Revised Statutes Title 39, Chapter 9, Louisiana Local Government Budget Act (LSA-RS 39:1301 et seq.). The Indigent Defender Fund's budget was amended once during the year ended June 30, 2012. The actual revenues were \$44,777 above the budgeted amounts and actual expenditures were \$108,944 or 13.18% more than the budgeted amounts. The actual expenses were more than the budgeted expenses due to an increase in attorney contract labor costs.

#### CAPITAL ASSET ADMINISTRATION

For the year ended June 30, 2012, one capital asset, a computer, was purchased.

#### DEBT ADMINISTRATION

For the year ended June 30, 2012, there was no debt activity and no debts are outstanding at year-end.

#### ECONOMIC FACTORS EXPECTED TO EFFECT FUTURE OPERATIONS

For the fiscal year ending June 30, 2012, the following factors were considered when the budget was prepared:

- General and program revenues will remain consistent with the prior year.
- Other expenditures are expected to remain steady with the prior year.

#### REQUEST FOR INFORMATION

This report is designed to provide a general overview of the Eleventh and Forty-second Judicial District Indigent Defender Fund, DeSoto and Sabine Parishes, Louisiana, and seeks to demonstrate the Indigent Defender Fund's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Steven Thomas, Eleventh and Forty-second Judicial District Indigent Defender Fund, P. O. Box 689, Mansfield, Louisiana, 71052.



# Johnson, Thomas & Cunningham

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

Steven Thomas, Chief Defender  
Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
P. O. Box 1004  
Mansfield, LA 71052-1204

We have audited the accompanying financial statements of the governmental activities and the major fund of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund as of and for the year ended June 30, 2012, which collectively comprise the Indigent Defender Fund's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Indigent Defender Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Indigent Defender Fund as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2012, on our consideration of the Indigent Defender Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of

internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Indigent Defender Fund's basic financial statements. The budgetary comparison statement and statement of activities by district listed as other required supplemental information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison statement and statement of activities by district is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Johnson, Thomas & Cunningham*

Johnson, Thomas & Cunningham, CPA's

December 3, 2012

Natchitoches, LA 71457

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Statement of Net Assets  
June 30, 2012

ASSETS:

Current Assets-

Cash & Cash Equivalents	\$242,785
Accounts Receivable	122,781

Non-current Assets-

Capital Assets (Net)	<u>3,240</u>
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Total Assets	<u>\$368,806</u>
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LIABILITIES:

Current Liabilities-

Accounts Payable	\$ 61,059
Payroll Liabilities	<u>2,151</u>

Total Liabilities	<u>\$ 63,210</u>
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NET ASSETS:

Invested in Capital Assets	\$ 3,240
Unrestricted	<u>302,356</u>

Total Net Assets	<u>\$305,596</u>
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See notes to financial statements.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Statement of Activities  
For the Year Ended June 30, 2012

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets Government Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Judicial	<u>\$828,957</u>	<u>\$566,452</u>	<u>\$259,409</u>	\$ (3,096)
	General Revenues:			
	Interest			<u>1,759</u>
	Change in Net Assets			\$ (1,337)
	Net Assets July 1, 2011			<u>306,933</u>
	Net Assets June 30, 2012			<u>\$305,596</u>

See notes to financial statements.

## FUND FINANCIAL STATEMENTS

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Balance Sheet-Governmental Fund  
June 30, 2012

Assets:

Cash & Cash Equivalents	\$242,785
Accounts Receivable	<u>122,781</u>
Total Assets	<u>\$365,566</u>

Liabilities:

Accounts Payable	\$ 61,059
Payroll Liabilities	<u>2,151</u>
Total Liabilities	\$ 63,210

Fund Balance:

Unassigned	<u>302,356</u>
Total Liabilities and Fund Balance	<u>\$365,566</u>

See notes to financial statements.



Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Assets  
June 30, 2012

Total Fund Balance for the Governmental Fund at June 30, 2012	\$302,356
Total Net Assets reported for Governmental Activities in the Statement of Net Assets is different because:	
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the fund. Those assets consist of:	
Land, Equipment, Buildings, and Vehicles	23,761
Less: Accumulated Depreciation	<u>(20,521)</u>
Total Net Assets of Governmental Activities at June 30, 2012	<u>\$305,596</u>

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance-  
Governmental Fund  
Year Ended June 30, 2012

REVENUES:

Intergovernmental-	
State of LA	\$259,409
Statutory Fines, Forfeitures, Fees, Court Costs, & Other	566,452
Miscellaneous-	
Interest	<u>1,759</u>
Total Revenues	<u>\$827,620</u>

EXPENDITURES:

Support Staff Salaries	\$ 84,769
Payroll Taxes	6,752
Contract Services-Attorney/Legal	632,494
Contract Services-Other	53,310
Travel-Professional Development	2,012
Travel-Operating	26,508
Office Expense	14,738
Other	4,391
Capital Outlay	<u>1,528</u>
Total Expenditures	<u>\$826,502</u>

Excess of Revenues over Expenditures \$ 1,118

Fund Balance-Beginning of Period 301,238

Fund Balance-End of Period \$302,356

See notes to financial statements.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of the Governmental Fund  
to the Statement of Activities  
For Year Ended June 30, 2012

Total Net Change in Fund Balance at June 30, 2012, per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 1,118
The Change in Net Assets reported for Governmental Activities in the Statement of Activities is different because:	
Governmental Funds report Capital Outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. The cost of capital assets recorded in the current period is	1,528
Depreciation Expense is reported in the government- wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expen- diture in the governmental funds. Current period depreciation expense is	<u>(3,983)</u>
Total changes in Net Assets at June 30, 2012, per Statement of Activities	<u>\$(1,337)</u>

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

Introduction:

The Eleventh and Forty-Second Judicial Districts Indigent Defender Fund (Indigent Defender Fund) was established to provide and compensate counsel appointed to represent indigents in criminal and quasi-criminal cases on the district court level. The district fund is regulated by the Louisiana Public Defender Board established by Louisiana Revised Statute 15:141-184 to provide effective legal representation to criminal defendants who are unable to afford an attorney, consistent with the right to counsel in our criminal courts, mindful of the need for law and order and an appreciation of victim's rights. The Indigent Defender Fund is administered by the district public defenders who are contracted with the Louisiana Public Defender Board to provide for the delivery and management of public defender services within the judicial district. Offices of the Fund are maintained in the personal office of Steven R. Thomas, Chief Defender.

Pursuant to Act 416 of the 2007 Regulator Session of the Louisiana Legislature, the former 11<sup>th</sup> Judicial District, which was comprised of Sabine and DeSoto Parishes, was split along parish boundaries as of January 1, 2009. Sabine Parish became the "new" Eleventh Judicial District; and DeSoto Parish became the newly created Forty-Second Judicial District. Whereas Act No. 416 made provisions for judges, law clerks, court reporters and the district attorney and assistants, it made no provisions for public defender services of the districts after the split. The Chief Defender of the prior Eleventh District and currently Chief Defender of the two new districts operates the two parishes under a cooperative endeavor agreement as one entity. On August 20, 2009, the State Defender sent a letter to the Louisiana Attorney General requesting an opinion on the current cooperative endeavor agreement. The LA State Attorney General issued an opinion (Opinion 09-0212) on December 22, 2009. In the opinion of the Attorney General's office, the cooperative endeavor agreement between the 11<sup>th</sup> and 42<sup>nd</sup> Judicial Districts relating to the Public Defender is permissible under Louisiana Constitution, Article VII, Section 14(A) and (C).

1. Summary of Significant Accounting Policies:

A. Reporting Entity-

For financial reporting purposes, in conformity with the Governmental Accounting Standards Board (GASB) Statement No. 14, the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund is a part of the operations of the district court system. However, the state statutes that create the indigent defender funds also gives the funds control over their operations including the hiring and retention of employees, authority over budgeting, responsibility for deficits, and the receipt and disbursement of monies. The Eleventh and Forty-Second Judicial Districts Indigent Defender Fund is financially independent and operates autonomously from the State of Louisiana and independently from the district court system. Therefore, the Indigent Defender Fund reports as an independent reporting entity and the financial statements include only the transactions of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

B. Basis of Presentation-

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Indigent Defender Fund's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

C. Fund Accounting-

The accounts of the Indigent Defender Fund are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The Indigent Defender Fund maintains only one fund. A fund is considered major if it is the primary operating fund of the entity.

The major fund of the Indigent Defender Fund is described below:

Governmental Fund-

General Fund

The General Fund is the general operating fund of the Indigent Defender Fund. It is used to account for all financial resources except those required to be accounted for in another fund.

D. Measurement Focus/Basis of Accounting-

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

Accrual Basis-Government-Wide Financial Statements (GWFS)

The Statement of Net Assets and the Statement of Activities display information about the Indigent Defender Fund as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Modified Accrual Basis-Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Indigent Defender Fund considers all revenues "available" if they are collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

E. Assets, Liabilities, and Equity-

Cash and Interest-Bearing Deposits-

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit of the Indigent Defender Fund.

Capital Assets-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Indigent Defender Fund maintains a threshold level of \$1,000 or more for capitalizing capital assets.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of useful lives by type of asset is as follows:

Furniture, computers	5 years
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#### Equity Classifications-

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets-Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
- c. Unrestricted net assets-All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

When an expense is incurred for the purposes for which both restricted and unrestricted net assets are available, management applies unrestricted net assets first, unless a determination is made to use restricted net assets. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

In the fund statements, governmental fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance-amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;
- b. Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;



Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

- c. Committed fund balance-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- d. Assigned fund balance-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance-amounts that are available for any purpose. Only the General Fund would report positive amounts in unassigned fund balance.

The General Fund has an unassigned fund balance of \$302,356. If applicable, the Indigent Defender Fund would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

F. Compensated Absences-

The Indigent Defender Fund has the following policy relating to vacation and sick leave:

Employees of the Indigent Defender Fund at the beginning of each calendar year are allowed twenty days of non-cumulative paid time off, which encompasses both vacation and sick leave. There is no accumulation of vested benefits relating to any paid time off.

The cost of leave privileges, computed in accordance with GASB Codification Section C60, is recognized as current-year expenditures in the General Fund when leave is actually taken.

G. Estimates-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

2. Cash and Cash Equivalents:

At June 30, 2012, the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund has cash and cash equivalents (book balances) totaling \$242,785 as follows:

Petty Cash	\$ 200
Demand Deposits	123,552
Certificate of Deposits	<u>119,033</u>
Total	<u>\$242,785</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Fund that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Fund's name.

The cash equivalents of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund are subject to the following risks:

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the government will not be able to recover its deposits. At June 30, 2012, the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund had \$251,334 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and the pledge of securities with a fair market value of \$593,581 held by the custodial banks in the name of the Fund.

*Interest Rate Risk:* This is the risk that changes in market interest rates that will adversely affect the fair value of a certificate of deposit (time deposit). Generally, the longer the maturity of a certificate of deposit, the greater the sensitivity of its fair value to changes in market interest rates. The Indigent Defender Fund's certificates of deposit have maturities of three months or less which limits exposure to fair value losses arising from rising interest rates.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

*Credit Risk:* The Fund's deposits comply with Louisiana Statute (LSA R.S. 33:2955). Under state law, the Fund may deposit funds with a fiscal agent organized under the laws of Louisiana, the laws of any other state in the union, or the laws of the United States. The Fund may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

3. Capital Assets:

Capital asset balances and activity for the year ended June 30, 2012, is as follows:

Governmental Activities	Balance 06-30-11	Additions	Deletions	Balance 06-30-12
Capital Assets Depreciated:				
Furniture, computers	\$22,233	\$ 1,528	\$0	\$23,761
Total Assets	\$22,233	\$ 1,528	\$0	\$23,761
Less: Accumulated Depreciation:				
Furniture, computers	\$16,538	\$ 3,983	\$0	\$20,521
Total Depreciation	\$16,538	\$ 3,983	\$0	\$20,521
Net Capital Assets	\$ 5,695	\$(2,455)	\$0	\$ 3,240

Depreciation expense of \$3,983 was charged to the judicial function-governmental activities.

4. Receivables:

The General Fund receivables of \$122,781 are as follows:

Statutory Fines, Forfeitures, Fees, Court Costs and Other- Court Costs	\$ 42,867
Bond Fees and Forfeitures	3,207
Application Fees	1,720
Defender Assistance Fund	74,339
Other Fees and Costs	648
Total	\$122,781

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

5. Governmental Fund Revenues and Expenditures:

For the year ended June 30, 2012, the major sources of governmental fund revenues and expenditures were as follows:

Revenues:

State Government-		
Appropriations-General	\$259,409	
Appropriations-Special	0	
Revenue Sharing	0	
Grants	0	
On-behalf Payments	0	
Other	<u>0</u>	
Total		\$259,409

Local Government-

Appropriations-General	\$ 0	
Appropriations-Special	0	
Grants	0	
Statutory Fines, Forfeitures,		
Fees, Court Costs & Other	566,452	
Taxes-Millage, Sales, Special, and Other	0	
Criminal Court Fund	0	
On-behalf Payments	0	
Other	<u>0</u>	
Total		566,452

Federal Government-

Grants-Direct	\$ 0	
Grants-Indirect (passed-through state)	<u>0</u>	
Total		0

Other Grants & Contributions

Non-profit Organizations	\$ 0	
Private Organizations	0	
Corporate	0	
Other	<u>0</u>	
Total		0

Charges for Services		0
Investment Earnings		1,759
Miscellaneous		<u>0</u>

Total Revenues		<u>\$827,620</u>
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Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

## Expenditures:

## Personnel Services &amp; Benefits-

Salaries	\$ 84,769	
On-behalf Payments-Salaries	0	
Retirement Contributions	0	
On-behalf Payments-Retirement	0	
Insurance	0	
On-behalf Payments-Insurance	0	
Payroll Taxes	6,752	
Other	<u>0</u>	
Total		\$ 91,521

## Professional Development-

Dues, Licenses & Registrations	\$ 125	
Travel	1,887	
Other	<u>0</u>	
Total		2,012

## Operating Costs-

Library & Research	\$ 911	
Contract Services-Attorney/Legal	632,494	
Contract Services-Other	53,310	
Lease-Office	0	
Lease-Autos & Other	0	
Travel-Transportation	26,508	
Travel-Other	0	
Insurance	5,514	
Supplies	2,531	
Repairs & Maintenance	0	
Utilities & Telephone	5,782	
Other	<u>4,391</u>	
Total		731,441

Debt Service	0
Capital Outlay	<u>1,528</u>

Total Expenditures \$826,502

6. Commitments and Contingencies:

The Eleventh and Forty-Second Judicial Districts Indigent Defender Fund are not currently named as a defendant in any current or pending litigation.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Financial Statements  
June 30, 2012

The Indigent Defender Fund participates in certain state-assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

7. Subsequent Events:

Management has evaluated events through December 3, 2012, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

## REQUIRED SUPPLEMENTARY INFORMATION

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State Government-				
Appropriations-General	\$ 155,000	\$343,963	\$259,409	\$ (84,554)
Local Government-				
Court Fees & Costs	406,000	437,420	566,452	129,032
Investment Earnings	<u>1,200</u>	<u>1,460</u>	<u>1,759</u>	<u>299</u>
Total Revenues	\$ <u>562,200</u>	\$ <u>782,843</u>	\$ <u>827,620</u>	\$ <u>44,777</u>
EXPENDITURES:				
Operating Costs-				
Contract Services-Attorney/Legal	\$ 619,759	\$539,700	\$632,494	\$ (92,794)
Contract Services-Other	35,000	32,300	37,610	(5,310)
Support Staff Salaries	74,800	73,600	84,769	(11,169)
Payroll Taxes	6,430	5,250	6,752	(1,502)
Professional Development	2,400	2,935	1,036	1,899
Professional Services-Accounting/Audit	10,200	9,800	15,700	(5,900)
Office Expenses	10,726	17,350	12,336	5,014
Travel	26,275	26,275	28,395	(2,120)
Capital Outlays	0	0	1,528	(1,528)
Other	<u>9,200</u>	<u>10,348</u>	<u>5,882</u>	<u>4,466</u>
Total Expenditures	\$ <u>794,790</u>	\$ <u>717,558</u>	\$ <u>826,502</u>	\$ <u>(108,944)</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (232,590)	\$ 65,285	\$ 1,118	\$ (64,167)
Fund Balance-Beginning of Period	<u>301,238</u>	<u>301,238</u>	<u>301,238</u>	<u>0</u>
Fund Balance-End of Period	\$ <u>68,648</u>	\$ <u>366,523</u>	\$ <u>302,356</u>	\$ <u>(64,167)</u>

See accountant's report.



Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Notes to Budgetary Comparison Schedule  
For the Year Ended June 30, 2012

Budgetary Information

The District's Chief Public Defender directs the preparation of a proposed budget and submits it to the Louisiana Public Defender Board for approval by a specified date. Annually, the Indigent Defender Fund adopts a budget for the General Fund on the modified accrual basis of accounting. Amounts are available for expenditure only to the extent included within the budget. All appropriations lapse at year-end. The budget comparison schedule presents the original adopted budget and the final amended budget. The Indigent Defender Fund amended the budget once during the year.

The Louisiana Local Government Budget Act Section 1305(E) provides that "the total of proposed expenditures shall not exceed the total of estimated funds available for the ensuing fiscal year." The "total estimated funds available" is the sum of the respective estimated fund balances at the beginning of the year and the anticipated revenues for the current year.

The Louisiana Local Government Budget Act also requires a budget to be amended if actual revenues are failing to meet total budgeted revenues by five percent or more, and if actual expenditures are exceeding the total budgeted expenditures by five percent or more. The Eleventh and Forty-Second Judicial Districts Indigent Defender Fund's actual expenditures exceed budgeted expenditures by 13%. The Eleventh and Forty-Second Judicial Districts Indigent Defender Fund is not in compliance with the Louisiana Local Budget Act.

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Statement of Activities by District  
For the Year Ended June 30, 2012

	<u>Eleventh District</u>	<u>Forty-Second District</u>	<u>Total</u>
PROGRAM REVENUES:			
Operating Grants & Contributions-			
State Government-			
Appropriations-General	\$217,465	\$ 41,944	\$259,409
Charges for Services-			
Local Government Fines,			
Fees, & Court Costs	<u>91,149</u>	<u>475,303</u>	<u>566,452</u>
Total Program Revenues	\$308,614	\$517,247	\$825,861
GENERAL REVENUES:			
Investment Earnings	<u>879</u>	<u>880</u>	<u>1,759</u>
Total Revenues	\$309,493	\$518,127	\$827,620
PROGRAM EXPENSE:			
Judiciary-			
Personnel Services & Benefits	\$ 45,761	\$ 45,761	\$ 91,522
Professional Development	1,387	625	2,012
Operating Costs	335,340	396,100	731,440
Depreciation	<u>1,991</u>	<u>1,992</u>	<u>3,983</u>
Total Expenditures	\$384,479	\$444,478	\$828,957
Change in Net Assets	\$ <u>(74,986)</u>	\$ <u>73,649</u>	\$ <u>(1,337)</u>

See accountant's report.

# Johnson, Thomas & Cunningham

## Certified Public Accountants

Eddie G. Johnson, CPA-A Professional Corporation (1927-1996)

Mark D. Thomas, CPA-A Professional Corporation  
Roger M. Cunningham, CPA-A Professional Corporation  
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### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Steven Thomas, Chief Defender  
Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
P. O. Box 1004  
Mansfield, LA 71052-1204

We have audited the financial statements of the governmental activities and the major fund of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund, as of and for the year ended June 30, 2012, which collectively comprise the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund's basic financial statements and have issued our report thereon dated December 3, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Indigent Defender Fund's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of audit findings as item 12-01.

The Indigent Defender Fund's response to the finding identified in our audit is described in the accompanying Schedule of Audit Findings. We did not audit the Indigent Defender Fund's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Louisiana Legislative Auditor, and management of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Johnson, Thomas & Cunningham*

Johnson, Thomas & Cunningham, CPA's

December 3, 2012  
Natchitoches, Louisiana

Eleventh and Forty-Second Judicial Districts Indigent Defender Fund  
Schedule of Audit Findings  
For the Year Ended June 30, 2012

I. SUMMARY OF AUDIT REPORT

1. An unqualified opinion was issued on the financial statements of the Eleventh and Forty-Second Judicial Districts Indigent Defender Fund as of and for the year ended June 30, 2012.
2. There were no significant deficiencies noted during the audit of the financial statements.
3. The audit disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Compliance-

*12-01 Local Government Budget Act*

*Criteria*-Louisiana State Law requires that when actual revenues are less than budgeted revenues by more than 5% and/or actual expenditures are more than budgeted expenditures by 5% or more, the budget should be amended.

*Condition*-For the year ended June 30, 2012, actual expenditures were more than budgeted expenditures by more than the 5% variance allowed.

*Effect*-The budget cannot be used as an effective management tool to control expenditures.

*Cause*-Oversight of management to ensure the budget was amended prior to the year end.

*Recommendation*-The Indigent Defender's office should institute procedures to ensure the budget is amended whenever actual expenditures are more than budgeted expenditures by more than the 5% allowed.

*Management's Response*-The two districts (11<sup>th</sup> & 42<sup>nd</sup>) submit separate budgets to the Louisiana State Defender Board annually on the cash basis. The actual year-end operating expenses for both districts included one additional monthly payment to the contracted attorneys than what was projected in the final budget. This caused each separate district to have a budget to actual variance of 6.5%. However, when the District's budgets were combined for the financial statements, the budget to actual variance was 13%. We will continue to monitor the budgets more closely.

III. PRIOR YEAR AUDIT FINDINGS

*11-01 Local Government Budget Act*

*Condition*-For the year ended June 30, 2012, actual expenditures were more than budgeted expenditures by more than the 5% variance allowed.

*Status*- As of June 30, 2012 this condition still exists. See current year finding 12-01.